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UNCLAS E F T O SECTION 01 OF 02 MUSCAT 000298

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E.O. 12958: DECL: 02/20/2010
TAGS: BEXP EINV EIND EMIN ELAB MU
SUBJECT: BECHTEL SNAGS BILLION DOLLAR PROJECT IN OMAN

REF: A. MUSCAT 242
 B. 04 MUSCAT 555

Classified By: Ambassador Richard L. Baltimore III.
Reasons: 1.4 (b) and (d).

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11. (SBU) Summary: Bechtel's Regional Manager has informed the Ambassador that Bechtel won the construction contract for a large aluminum smelter in the city of Sohar. This \$1.3 billion project, scheduled to be completed by 2008, will eventually employ around 2000 people and marks another milestone in new American investment in the Sultanate. End Summary.

Advocacy and Success

12. (SBU) Bechtel Regional Manager for Saudi Arabia and the Gulf David Robinson called on the Ambassador on February 16 to deliver a copy of Sohar Aluminum Company's letter of intent naming Bechtel as its preferred EPCM (Engineering, Procurement, Construction, and Management) contractor. This success marks the culmination of a tendering process that began nearly a year ago (ref B). By 2008, Bechtel will construct a state-of-the-art aluminum smelter in the port city of Sohar in northern Oman, which is quickly becoming a hub of industrialization. The project is valued at roughly \$1.3 billion. Sohar Aluminum Company is a joint venture between Oman Oil Company (40 percent shareholding), the Abu Dhabi Water and Electricity Authority (ADWEA, 40 percent), and Alcan (20 percent). Robinson repeatedly expressed his appreciation to the Embassy and the Department of Commerce for sustained advocacy support (ref A). Given that Bechtel's competition (SNC Lavalin) was Canadian along with one of the major shareholders in the project (Alcan), advocacy played an important role in Bechtel's ultimate success. (Note: Bechtel's award has not been made public to date, and the company is waiting for the local partners to make the announcement before releasing any information. End Note.)

Jobs and Omanization

13. (SBU) Bechtel will construct the Sohar facility along the same lines as its ALBA facility in Bahrain, which is in the final stages of completion. Many of the managerial and technical personnel who worked on ALBA are likely to transfer to Oman in the coming weeks and months. As many as 6000 workers were on-site in Bahrain at the height of construction; Robinson claims that a similar number will be employed during construction in Sohar. Once operational, the plant will employ close to 2000 workers. Bechtel has developed an aggressive Omanization program to ensure that a vast majority of these jobs are held by Omanis. In conjunction with local partner Bahwan Engineering Company, Bechtel is designing an extensive training course for its workforce. Moreover, worldwide studies of aluminum smelters show that the secondary employment effects are substantial, with 10 indirect or "downstream" jobs created for every direct hire. Given Oman's need for employment, this development would be welcomed by the Sultanate, although it is unclear whether these downstream jobs will remain in Oman or be exported elsewhere.

Expanding the American Community

14. (SBU) While Robinson does not foresee a massive influx of Americans, he does anticipate that as many as 100-150 Americans from Bechtel will come to Oman during the construction of the smelter. The Ambassador made a strong pitch for The American International School of Muscat, and Econoff urged Robinson to become a member of the Muscat

American Business Council. Other expatriate workers for Bechtel will come from India, the Philippines, Australia, and Britain.

Comment

15. (SBU) With Dow Chemical already establishing a major presence in Oman, the victory by Bechtel is evidence of increasing momentum for U.S. companies in the Sultanate. As we open free trade agreement talks in March, Oman's welcoming attitude toward American investment should provide fertile ground for concluding a strong accord. We also hope that the positive experiences of Dow and Bechtel will encourage other American firms to enter or expand into Oman in support of our MPP goal of increased trade and investment.

BALTIMORE